



Keynote Speech by Natalie Elphicke MP OBE: The Promise of Web3 - Innovation & Sensible policymaking

Delivered in the Metaverse at the BBA Summit, BAF23, 20th September 2023

Check Against Delivery

Good morning everyone. I'm Natalie Elphicke and I am a UK Member of Parliament.

As the chair of the All Party Parliamentary Group for Blockchain Technologies in the UK Parliament, I'm delighted to be making this keynote speech today on the promise of Web3 in the context of innovation and policy making.

Making policy, implementing legislation, is often reactive. Responding to dangers, risks or harm to the public or a nation state.

Dangerous dogs, bad employers or the rise of criminal gangs and terrorists using the internet, social media platforms or encrypted applications to communicate and network are some examples.

However, policy can be about creating and supporting opportunities for the new, for innovation and for change.

And sometimes policies to prevent harm or effect change need to be trans-national. Addressing climate change is one example. Web3 is another.

Web3 is trans-national, the challenges of trans-national policymaking

Web3 economies, by their very nature, are often trans-national global ecosystems.

Web3 represents a paradigm shift that reimagines the very fabric of the internet.



At its core, Web3 is about decentralisation, empowerment, and the restoration of ownership and control to individuals.

This paradigm is made possible by blockchain technologies which introduces transparency, immutability, and improving trust in the digital society.

But they also bring people together around the globe who work in different jurisdictions with different laws, corporate structures and standards. That presents real challenges to policymakers.

Let's take Decentralised Autonomous Organisations

By way of example a DAO founded by developers in Singapore, managed by a group of DAO voters based in 50 different countries and used by a community of users based around the globe

How do policy makers, whose regulations and policies must be designed reflecting their political national context and domestic priorities, ensure that what they are doing is effective in a trans-national context.

Let's take Decentralised Finance with its permissionless, global, financial infrastructures – which poses their own unique challenges and opportunities for regulators and policymakers.

Ensuring transparency, auditability, and accountability in these ecosystems is paramount.

Let's take NTF. The momentum is building and use cases involving the tokenisation of real-world physical assets are emerging faster than ever before. It is predicted that the market for tokenised assets could reach \$16 trillion by 2030. It is unquestionable that our world is being tokenised. From real estate to precious metals, from arts and collectibles to education credentials, from stocks and bonds to Carbon credits and energy tokens, the physical assets are getting tokenised, and this trend will only grow from here.



Earlier this year, the BBA responded to HM Treasury's call for consultation on how Non fungible tokens should be treated, and how we make smart contracts much smarter and practically viable.

So let's take Web3 Governance: and that includes both on chain governance and audit of smart contracts, as well as off chain evaluation of Blockchain service providers – We can say that “in blockchain we Trust” but how do we establish trust in the individuals and companies that provide blockchain applications and products?

Regulation and effective policies can certainly help to mitigate some of the risks but cannot eliminate them - FTX is an example.

So we have to devise regulations and policies that can be safe for citizens, fit for purpose and pro-innovation within their own context – be that NFTs, DAOs, DeFi, Metaverse, and other decentralised applications – and also address issues which arise around Intellectual property, ownership, taxation, and the legal position of these entities.

Policy makers have a vital role is deciding where those risks and responsibilities sit.

Key National Priorities

Now when it comes to policymaking for the Web3 economy in the United Kingdom, I believe there are some key national priorities.

I am going to outline some of these priorities briefly in my keynote today as well as share an overview of the future direction in the context of the UK economy.

The principles here are also broadly applicable to other blockchain economies.



Growth and Workforce Planning

First, jobs, skills and growth.

Blockchain and web3 are some of the most sought after and well-paid skills.

But Britain is lagging competitors in securing blockchain related jobs including Germany, the US and France, as well as the Netherlands, Spain and India. In the first quarter of 2023, out of a total of around 90,000 jobs globally, the UK ranked at number 12, securing only 2,000 of these.

The talent pool in Web3 is global and every country is bidding for the same talent.

And that's not just in technical skills. It's also educators, lawyers, public relations officers, community managers, metaverse safety moderators, Blockchain ethics advisers and professionalism advocates, and many more - some of these jobs didn't even exist a few years ago.

And that emerging talent pool must be inclusive. For cutting edge technology, it has some prehistoric diversity and inclusivity figures. The latest (JBBA) research showed that only 11% of [Decentralised Autonomous Organisations] DAO members and voters were female. Another study showed only 6% of C-Suite executives of blockchain and web3 firms are women.

So the first UK national priority is Web3 industry growth and workforce planning. Part of that is about making the UK an attractive hub for web3 founders, EOs, developers, programmers, and companies to work here, and make positive contributions to the UK economy.

I believe that while we must penalise bad actors, it is equally important to reward good actors - they should be supported, facilitated, hired, and funded so they can help grow the economy - web3 is global so if we



make and apply laws that stifle innovation and put unnecessary restrictions in place, businesses will go elsewhere.

I was encouraged to see that recently some blockchain and web3 firms have made the UK their second home and many more are planning to relocate here. Jurisdictions that are pro-innovation and have a clear regulatory and policy stance will eventually attract businesses and generate revenue that will help to grow a country's economy.

Great Britain, Smart Britain

Secondly, making Britain Smart as well as Great

The UK has the potential to become a Blockchain enabled “Smart Country” for Digital Government, Citizens, and Public Services.

Blockchain-based systems can reduce costs and increase transparency in government and public sector processes. Self-executing Algorithms can streamline interoperability, increase trust and efficiency in online civil systems.

Governments around the globe have been exploring how blockchain could be utilised to streamline and support transparency, efficiency and trust in public services.

These have included:

For land registration in Georgia, the UK and Sweden

For digital identity management in Switzerland, Estonia, and Luxembourg

For immigration and Border Control in Finland

For taxation records in China

For pension infrastructure in the Netherlands

And For Logistics and Transportation in India.



National Blockchain Roadmap

Which takes me to my third national priority – taking forward the National Blockchain Roadmap. Published in 2021, the UK National Blockchain Roadmap sets out an ambition to build a DLT-based Digital nation and put forward various recommendations to construct the key components of the UK's Blockchain economy.

So far, less than a dozen countries around the world have published their National Blockchain Roadmap

It's vital to learn from other jurisdictions and establish forums such as this one, to meet, discuss and debate joint challenges in the Web3 space.

Thinking Globally and acting locally, blockchain can support UN SDGs, Net Zero, climate mitigation efforts, industrial symbiosis networks and other emerging Blockchain use cases.

While everyone is talking about World coin and eye scans, many people don't know that it was the United Nations World Food Programme in 2016, almost 7 years ago, that used iris scans to provide not tokens, but food and groceries, to Syrian refugees in Jordanian camps.

Blockchain enabled Digital Identity is a step forward towards an inclusive global economy.

Industry Collaborative, evidence and audit

So moving on to supply chains, trade and e-commerce and how we build and support innovation and excellence.

What we learnt from Trade Lens is that while the blockchain platform managed to track almost 4 billion events, published over 36 million documents, and processed over 70 million containers, there had been challenges around effective industry collaboration.



Quadruple helix Blockchain innovation ecosystems must work together to ensure alignment of incentives and making DLT consortium commercially viable.

That means looking collaboratively and openly at what has worked for enterprise blockchains and what hasn't (private versus public blockchains) and why it hasn't, are important resource allocation and policy considerations.

That doesn't always happen. A (JBBA) research showed that many Blockchain companies do not publish their MERL processes – Monitoring , Research, Evaluation and Learning outcomes - which would mean that we will continue to waste precious resources and keep on repeating the same experiments until the lessons are learnt.

In 2018, there were 57 universities on the JBBA mailing list – Now there are more than 800 universities on that list, and it is growing – these are institutions directly involved in blockchain research and offering postgraduate modules or courses in blockchain related technologies. Knowledge networks enable the production of high-quality peer-reviewed data which in turn helps to direct precious resources to blockchain programmes that are backed by scientific evidence.

That's the same with the evaluation, appraisal and audit of Blockchain ecosystems. It's crucial that we spend resources on what provides the best value for tax-payer's money and follow the fundamentals of Evidence Based Blockchain –So for every £100 pound invested in blockchain projects, an amount, say for illustration of £2, must be spent on making sure that the other £98 actually works.



Conclusion

To conclude:

Building communities, ecosystems, and regulatory infrastructures can take time and patience.

The academics may have the scientific foundations that the industry does not have – enterprises may have the latest industry data that the policymakers don't have access to - public and end users may offer valuable insights to barriers to blockchain adoption - and policymakers have to see how that all works together within the current political and legal constraints as well as with a view to a long-term vision for innovation, change and growth.

It requires all stakeholders to collaborate and play their constructive role in building progressive and resilient blockchain ecosystems that will benefit domestic and global citizens now and in the future.

Thank you.
